LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 7001
BILL NUMBER: HB 1277

NOTE PREPARED: Jan 25, 2010
BILL AMENDED:

SUBJECT: Health Disparities in Medicaid.

FIRST AUTHOR: Rep. Crawford
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X **GENERAL**
X **DEDICATED**
X **FEDERAL**

IMPACT: State

Summary of Legislation: *MCO Requirements:* This bill requires a managed care organization (MCO) that contracts with the Office of Medicaid Policy and Planning (OMPP) to provide Medicaid services to do the following:
(1) Report to the Select Joint Commission on Medicaid Oversight (JCMO) concerning the MCO's culturally and linguistically appropriate services standards plan and the progress in implementing these standards.
(2) Report to OMPP specified member-related information.
(3) Implement standards concerning culturally and linguistically appropriate services (CLAS), and encourage practices that are more culturally and linguistically accessible.
(4) Develop and administer a community-based health disparities advisory council.
(5) Include as part of the member's pharmacy benefits that the labeling of the prescription drug be printed in the member's preferred language.

Withholding MCO Reimbursement: The bill requires OMPP to, beginning January 1, 2011, withhold a percentage of reimbursement from a managed care organization under specified circumstances.

Request for Proposal (RFP) Requirements: The bill also requires the inclusion of criteria evaluating the MCO's cultural competency in working with minority populations in a request for proposal, and requires preferences to be awarded to an MCO that shows evidence of cultural competency.

OMPP Reporting Requirements: The bill requires OMPP to: (1) annually report certain Medicaid claims information to the Legislative Council and (2) establish standards and guidelines and ensure continuity of care for Medicaid recipients who transfer from an MCO.

Medicaid Vendor Quality Initiatives: The bill also requires Medicaid vendors to establish specified quality initiatives.

Effective Date: July 1, 2010.

Explanation of State Expenditures: *MCO Requirements:* The provisions of the bill would apply to all managed care organizations that contract with OMPP. This would include managed care services in Medicaid, the Children's Health Insurance Program (CHIP), and the Healthy Indiana Plan (HIP). Any additional MCO costs required by the bill would occur within the capitated managed care contracts. The state pays a capitated amount for each MCO member month regardless of the cost incurred by the MCO for the member's care or the MCO's administrative costs. The bill would result in increased costs to the state to the extent that increased risk-based managed care costs, which must be actuarially determined, would be passed through to the state in the negotiated rates for the CY 2011 capitation rate. The fiscal impact would depend on actions taken by the MCOs to implement the provisions of the bill.

RFP Requirements: The bill would require all future RFPs for risk-based managed care services to include criteria concerning the bidder's cultural competency in working with minority populations for evaluation of proposals and award preference points to bidders that provide evidence of cultural competency. This provision should be achievable within the level of resources available to the agency for administrative functions.

OMPP Reporting Requirements: The bill requires OMPP to include additional specified Medicaid information with the required annual report to the Legislative Council. The General Assembly web site did not include a report from OMPP with information currently required by statute. Some of the data elements required for the current report may be found on the OMPP web page. Other specified data elements are currently collected, others may require coordination with the State Department of Health Vital Records Division, and others may require additional data collection by either the MCOs or OMPP. The level of resources required to obtain and report all the specified data is not known at this time.

Withholding MCO Reimbursement: The bill would require OMPP to withhold a percentage of reimbursement from a managed care organization that shows a lack of improvement in improving health disparity outcomes. This provision would probably not be enforceable until it is included in a contract amendment or a new contract. OMPP currently includes pay for performance in the MCO contracts. Quality performance measures are determined and target levels are set by OMPP. MCOs that meet or exceed the goal levels are eligible for additional payments.

Medicaid Vendor Quality Initiatives: The bill requires any person that receives reimbursement under Medicaid or that contracts with OMPP to provide direct services to implement at least two quality improvement initiatives in obstetrics, asthma, diabetes, immunizations, or the items included in the HEDIS data set. At least one of the initiatives must address race, ethnic, or other geographic disparities. The providers would be required to include baseline data on individuals receiving services from the provider, include measurable goals and outcomes, and use a third-party source to evaluate the provider's initiatives. This requirement appears to apply to all providers regardless of the amount of reimbursement involved or the volume of services provided; single practitioners, Area Agencies on Aging, hospitals, nursing facilities, and MCOs would be required to comply. The bill does not provide any enforcement authority or require reporting of the quality improvement initiatives, the outcomes, or evaluations.

The Medicaid program is jointly funded by the state and federal governments. The state share of program

expenditures is approximately 36%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 64%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

Background & Additional Details on MCO Requirements- Additional requirements imposed on MCOs by the bill include the following.

(1) The three Medicaid MCOs are required to report to the JCMO concerning the MCO's culturally and linguistically appropriate services standards plan and the progress in implementing these standards. This reporting requirement alone should not result in additional cost to the MCOs or the state.

(2) MCOs are required to report information concerning race and the primary language of the members enrolled with the MCO to OMPP. States are required to provide this information to the MCOs. OMPP reported in the Quality Strategy Overview for 2008, that the Medicaid application process solicits information on the applicant's race and primary language. At that time, OMPP did not have the ability to transmit the race data to the MCOs. OMPP was also investigating the possibility of collecting ethnicity data during the application process. It was further reported that data regarding the primary language spoken is sent to the MCOs twice monthly. It is not known at this time what progress was made by OMPP on providing the race and language data to the MCOs. MCO contracts contain language requirements compliant with federal regulations.

(3) The bill requires the MCOs to establish and administer standards concerning culturally and linguistically appropriate services. The standards are to be included in a written plan to encourage practices that are more culturally and linguistically accessible. The MCOs are required to report annually on the progress of the plan to the Interagency State Council on Black and Minority Health.

(4) The bill requires each of the three MCOs to establish and administer a community-based health disparities advisory council. The bill requires the councils to have nine specified members representing certain constituencies and then provides that 75% of the council membership must be individuals that are not employed by the MCO. The bill specifies the duties of the health disparity advisory councils and also provides that the MCOs are required to pay for the costs of the councils including travel expenses of the members. The MCO contracts would probably need to be amended to include this provision. Cost to the state would be passed through the contractual capitated payments the state pays the MCOs.

(5)The bill also requires the MCOs to print the labels of prescription drugs in the member's preferred language. This provision should have no impact on the MCOs since Medicaid prescription drug benefits were removed from the MCO contracts. OMPP now contracts directly with the pharmacy benefits manager for managed care Medicaid recipients.

Explanation of State Revenues: See *Explanation of State Expenditures* regarding federal reimbursement in the Medicaid Program.

Explanation of Local Expenditures: Local government-owned hospitals and health facilities would be required to comply with the Medicaid quality initiatives included in the bill.

Explanation of Local Revenues:

State Agencies Affected: FSSA, OMPP; Potentially the Indiana State Department of Health.

Local Agencies Affected: Local government-owned hospitals and health facilities.

Information Sources: U.S. Government Accountability Office, GAO-05-44R Medicaid Managed Care Access and Quality Requirements; "State of Indiana Office of Medicaid Policy and Planning, Quality Strategy, 2007-2008".

Fiscal Analyst: Kathy Norris, 317-234-1360.